



CI Financial Corp.: Expansion Down Under a Game Changer

Description

CI Financial Corp. ([TSX:CIX](#)) announced November 2 that it is buying 80% of Sydney-based Grant Samuel Funds Management (GSFM), an Australian asset manager marketing eight mutual funds and AUD\$6 billion in assets under management.

CI has been looking to make a bigger splash outside Canada for some time, so in that sense it's definitely a game changer.

"CI has been looking for an opportunity to further expand outside Canada, and Australia was identified as an attractive market, with strong organic growth and a sophisticated investor base," CI CEO Peter Anderson said in a statement. "We look forward to working with the GSFM team to support the continued rapid growth of their business."

But is it enough?

Currently, CI's stock sits precipitously close to its 52-week low of \$23.52 and well off its all-time high of \$36.25, hit in May 2015. Last October CI bought First Asset—a move that got it into the world of low-cost ETFs, which is vital to the success of any asset manager these days, and yet that did nothing for its stock price.

How is buying an Australian fund manager going to move the needle when its ETF acquisition couldn't?

The answer lies in Australia's regulatory environment, which is far more stringent than here in Canada. Yes, we've got CRM2, but that's just the beginning of the regulatory changes expected in this country when it comes to financial services. Operating a fund management company in a place that has seen significant regulatory change will help it cope with whatever comes down the pike here at home.

In addition, with CI rolling out new ETFs under the First Asset banner here in Canada, it's only a matter of time before they start doing the same in Australia, where they now have a distribution vehicle to make that happen.

Australia's ETF markets experienced tremendous growth in the past 12 years. In September, ETF

assets under management in the country hit AUD\$24.1 billion. While that pales in comparison to the \$107 billion in ETF assets here in Canada, the Australian market is coming on like gangbusters. Since 2010, Australian ETF assets under management have grown by 30% a year compared to 14% in Canada. If Australia maintains its torrid pace it could equal Canada within the next decade, maybe sooner.

There are currently nine ETF providers in Australia including iShares and Vanguard. Here in Canada, there are currently 17 ETF providers including First Asset. In another two or three years expect First Asset and several others to be offering products down under.

The opportunity for CI in Australia is real. This acquisition definitely helps them move the company forward.

If you're looking to ride this growth, CI's stock price is currently attractive on a valuation basis compared to its historical norms. With a free cash flow yield of just less than 10%, you're buying yourself a nice cash generator on the cheap.

Is it a game changer? I think it is.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CIX (CI Financial)

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